Harold Lucas
Executive Director

Please reply to:
OLIVER LOFTON, ESQ.
General Counsel
500 Broad Street – 6th Floor
Newark, New Jersey 07102
(973) 273-6564 Tel
(973) 273-6546 FAX

COPY

December 29, 2004

Honorable Dickinson R. Debevoise, USDJ
United States District Court
Martin Luther King, Jr. Federal Building & Courthouse
50 Walnut Street - Room 5083
Newark, New Jersey 07102

**Re: Newark Coalition for Low Income Housing, et al. vs. NHA, et als.
Civil Action No. 89-1303 (DRD)**

Dear Judge Debevoise:

Please accept this letter brief in lieu of a more formal brief.

STATEMENT OF FACTS AND PROCEDURAL POSTURE

The Court should not require the NHA to replace the 42 units at Mount Pleasant Estates counted toward the NHA's obligation to construct 1777 units, because such a decision would be contrary to HUD policy and regulations.

Mount Pleasant Estates is a 42-unit townhouse complex in the North Ward of the City of Newark. The townhouses were acquired by the NHA in 1993. In October 2000 the NHA submitted an application to HUD to allow the sale of townhouse units at Mount Pleasant Estates as part of a homeownership program.

The application was submitted to HUD pursuant to sections 5(h) and 6(c)(4)(D) the United States Housing Act of 1937 and codified at 24 C.F.R. § 906.1 et seq. The plan submitted by the NHA was judged on the basis of three factors, ie., workability, legality and documentation. See 24 C.F.R. § 906.4. The original NHA Homeownership Plan was approved by HUD on February 8, 2001. Following approval of the plan, the NHA was authorized to sell all or part of the public housing development at Mount Pleasant Estates. See 24 C.F.R. § 906.3. The purpose of the plan is to promote homeownership among public housing residents and thereby make the American dream of owning a home more easily attainable by low-income families.

Resident input was critical to the success of the Homeownership Program. The NHA was obligated to and did consult with residents of Mount Pleasant Estates while developing and implementing the Homeownership Plan. See 24 C.F.R. § 906.5.

Subject to other eligibility and preference standards required by the federal regulations, the NHA Homeownership Program is available to existing NHA residents and families, who are on the NHA waiting list and other low-income families. However, the federal regulations set a minimum threshold of lawful residency, not less than 30 days prior to conveyance of title to the dwelling to be purchased. Lawful residence may be at an NHA owned site or as a result of an NHA administered Section 8 voucher. See 24 C.F.R. § 906.8(b) and 24 C.F.R. § 906.8(c). Residents of Mount Pleasant Estates who do not qualify for the Homeownership Program or do not wish to purchase their units are given the choice to relocate or continue to rent their present units. Involuntary displacements to make the units available for sale is prohibited. See 24 C.F.R. § 906.10(a).

Eligibility is further limited to residents who are able to assume the financial obligations of homeownership. However, an average estimate of the applicant's payments for mortgage principal, interest, insurance, taxes, utilities, maintenance and other common expenses shall not exceed 35% of the applicant's adjusted income, plus any available subsidy. See 24 C.F.R. § 906.8(e). In order to ensure affordability by eligible purchasers, the Homeownership Plan may provide for below-market purchase prices, below-market financing or both. See 24 C.F.R. § 906.12(a).

Prior to 1998, as a condition for approval of Homeownership Plans, all housing authorities had to obtain a funding commitment, from HUD or another source, for the replacement of each of the dwelling to be sold under the plan. See 24 C.F.R. § 906.16(a). In furtherance of this last section, the Homeownership Plan application had to include a replacement housing plan. See C.F.R. § 906.20(j).

This requirement of replacement of each of the dwelling units to be sold under the Homeownership plan was repealed in 1998 and was not made a part of the final NHA approved plan. Section 12 of the

NHA Homeownership Plan states that "One-for-one replacement has been repealed." (See Homeownership Plan for the Housing Authority of the City of Newark (Mount Pleasant Estates N. J. 2-51) October 23, 2000, at page 17, attached hereto and made a part hereof).

Section 356 of the Quality Housing and Work Responsibility Act of 1998, approved October 21, 1998, amended the United States Housing Act of 1937 by adding a new Section 32, which authorizes a new homeownership program. The old homeownership program, pursuant to Section 5(h) required a plan for replacement of housing sold. See 24 C.F.R. § 906.16(a). This requirement was based on Section 18 of the United States Housing Act of 1937, as it existed prior to the date of the Quality Housing and Work Responsibility Act of 1998. The Act used to require some form of replacement for every disposed unit. However, the replacement housing requirement was removed from section 19 by the Quality Housing and Work Responsibility Act of 1998. The rule requiring replacement housing for every unit sold is not found in this rule implementing the Section 32 homeownership program. The new homeownership program was published on March 11, 2003 and went into effect on April 10, 2003. Regulations for the new program can be found in the Federal Register, at the same section as the old homeownership program, 24 C.F.R. § 906.1 et seq. The section of the old program which contained the replacement housing requirement, 24 C.F.R. § 906.16, has been omitted in the new program. The new program also contains a provision which permits conversion of an existing program, under the old regulations, into a program under the new regulations, with HUD approval. See 24 C.F.R. § 906.3.

Mount Pleasant Estates contains 42 townhouse units. To date 6 units have been sold. Twenty-six units remain under contract and awaiting closings. (Of these twenty-six under contract, two residents are nearly ready for closing). Eight residents at Mount Pleasant Estates have not exercised their options to sign a contract to purchase their units. Two dwellings are currently vacant.

If the Court required the replacement of units sold, the decision would be contrary to the Quality Housing and Work Responsibility Act of 1998 and HUD's rules and policy. HUD used to require replacement but deleted this requirement from the NHA Homeownership Plan. HUD went further and eliminated the replacement requirement when it re-wrote the regulations governing the homeownership program. It is the policy of HUD to promote homeownership among low-income residents. Low-income residents make-up the segment of America with the longest odds of realizing the dream of homeownership. By eliminating the requirement of replacing units sold, HUD has created an incentive for financially strapped public housing agencies to make homeownership available to more low-income families.

In addition to the foregoing, there is nothing in the original or amended Settlement Agreements that requires that any of the 1777 units that are placed in a homeownership program be replaced by additional unit construction.

For the above reasons, the undersigned takes the position that the NHA not be required to replace the 42 units at Mount Pleasant Estates which are part of the homeownership program.

Respectfully submitted,

Oliver Lofton, Esq.
General Counsel
Housing Authority of the City of Newark

OL/gpl
Enclosure

cc: Harris David, Esq.
John Dubin, Esq.
Neil Gallagher, Esq.
JoAnn Frey, Esq. Office of Regional Counsel
Raymond Brown, Sr. Esq.
Gustav Heningburg
Laura S. Kirsch, Esq.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
77 W. Jackson Blvd., Room 2401
Chicago, Illinois 60604-3507
Phone: (312) 886-9754 Fax: (312) 886-6413

OFFICE OF PUBLIC HOUSING

February 8, 2001

Mr. Robert Graham
Executive Director
Housing Authority of the
City of Newark
57 Sussex Avenue
Newark, NJ 07103-3992

Dear Mr. Graham:

On October 31, 2000, the Special Applications Center (SAC) received the Housing Authority of the City of Newark's (NHA) proposed Homeownership Plan for Mt. Pleasant, NJ39P002051, to rehabilitate and sell 42 units. Supplemental information was received on January 18, 2001. The SAC review has been completed and your Plan is approved.

Enclosed are two copies of the complete Implementing Agreement (Part I) to be signed as duplicate originals on page 8. The originally submitted Homeownership Plan (Part II) serves as the definitive contractual statement. You must review the contents of both documents, since your original signature signifies acceptance of terms. Both signed duplicate originals of Part I must be returned to the SAC. Once we have executed the agreements, one of the executed originals will be returned to you for your files, and you will be able to proceed with program implementation.

A copy of this letter has also been mailed to your local HUD Office.

The Department wishes you continued success in implementing your Homeownership Program. Should you have any questions regarding this matter, please contact Phaedra Mapp at (312) 886-9754, Ext. 2324.

Sincerely,

Ainars Rodins

Ainars Rodins, P.E.
Director

Enclosures

Homeownership Plan
for the
The Housing Authority
of the City of Newark

(Mt. Pleasant Estates N.J. 2-51)
October 23, 2000

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Executive Summary

The Homeownership Plan described through this document establishes the Newark Housing Authority's homeownership initiative. This plan provides a foundation for an ongoing homeownership program designed to provide economic opportunity for low-income families participating in public housing programs. It sets out the policies and standards under which the Authority will operate its homeownership initiative. This plan also packages the first dwelling units that will be sold to qualified buyers. The proposed homeownership initiative is subject to Sections 32 of the United States Housing Act of 1937 (i.e., rules that guide the sale of public housing subject to an Annual Contributions Contract) as implemented by 24 CFR 906.

The Newark Housing Authority (NHA) initial plan is to substantially rehabilitate and sell the 42 semi-attached townhouses that comprise the public housing site of Mt. Pleasant Estates (NJ 2-51). The site is located in the North Ward of the City of Newark. The site was built during 1993/4 as market rate homeownership condominiums. The site was purchased by the NHA and placed under an Annual Contribution Contract (ACC) in 1994. The development is fully occupied (less one) at this time.

The Authority's plan for implementing the homeownership initiative is to extensively rehabilitate all 42 units prior to title transfer to the existing, eligible tenants. Funding for the substantial rehabilitation is provided through the Comprehensive Grant Program and the homeownership administrative activities will be funded through sales proceeds. The budgeted cost of the described homeownership initiative is $ 3,469,480 or approximately $82,606 per unit.

Condominium title will be transferred to eligible homebuyers who can afford to purchase in the conventional manner, or a lease to purchase program will be offered to homebuyers that otherwise qualify for homeownership. Unit renovation and title transfer is to be completed within 18 months of the homeownership initiative approval by the Department of HUD.

Mt. Pleasant dwelling units will be offered to the existing 41 occupants for $54,000 for 3-bedroom units and 48,600 for the two, 2-bedroom units. Twenty-seven occupant families are interested and are income qualified to purchase. Two income eligible families are undecided. Seven families are interested and may qualify under a lease to purchase conveyance. Five income qualified families are not interested in purchasing. One unit is vacant and will be filled with an income qualified and interested family.

HUD's criteria for homeownership plan approval are workability, legality and documentation. Adhering to these criteria will ensure HUD's approval of the program and contribute to its success. An important, but secondary criterium is that program is designed to provide homeownership opportunities that are affordable to the greatest amount of tenants currently residing in the units. Therefore, the homeownership program is designed to offer a broad range of financial assistance and purchase price discounts to ensure low-income affordability.

The homeownership plan framed by this document is workable with sound potential for long-term success. Financial viability, including the capability of the purchaser to meet the financial obligations of homeownership is a fundamental program requirement. The plan is consistent with law, including the requirements of Section 32 as regulated by 24 CFR 906, and other applicable local, State and Federal statutes, regulations and existing contracts. Finally, the plan clearly and completely describes the homeownership program. This document serves as the foundation for program approval by HUD, implementation and ongoing operation.

The homeownership plan is accompanied by an appendix that contains exhibits to aid in the HUD approval process. It also provides the requisite supporting documentation including the property value estimate, workability statement and legal opinion. The Plan was prepared with the benefit of low-income housing resident collaboration. It incorporates their views and recommendations. Finally, the NHA Board of Commissioners has endorsed the plan.

1.0 Property Description

The NHA Homeownership Plan envisions the sale of 42 newly renovated public housing, semi-detached townhouses referred to as the Mt. Pleasant Estates. The townhouses built for the retail market are contained within 5 buildings that sit on 1.88 acres of land. The market rate development was substantially complete around 1990, but sat mostly unoccupied due to construction financing problems. The NHA acquired the property in 1994.

Mt Pleasant is located in the North Ward. The neighborhood is called Mt. Pleasant/Lower Broadway. The site is bounded by Gouverneur Street to the north, Mt. Pleasant Avenue to the east, Clark Street to the south and Broad Street to the west. Mt. Pleasant nestles itself in a small residential strip sandwiched between McCarter Highway and Broadway both being major arteries. To the east of Mt Pleasant is primarily industrial neighborhood. The neighborhood becomes more residential to the north and east of this development. Broadway acts as a dividing line between the Mt. Pleasant neighborhood and it adjacent neighbors to the west.

Generally speaking, the Mt. Pleasant three-bedroom, one and a half bathroom townhouses are very versatile and therefore marketable. The units have basements providing added advantages for storage and/or convertible to living space. The Mt. Pleasant units can accommodate a variety of family structures that are particularly desirable to single parent families with two children of opposite sex, married couples with families of up to four children, and three generation families.

Further identification of the proposed homeownership property is summarized below:

Building	Address	Number of Units	Bed Rooms	Bath Rooms	Basement
Building 1	21-35B Gouverneur Street	9	3	1.5	Yes
Building 2	215-231 Mt. Pleasant Avenue	9	3	1.5	Yes
Building 3	233-247 Mt. Pleasant Avenue	8	3	1.5	Yes
Building 4	222-230 Broad Street	7	3	1.5	Yes
		2	2		
Building 5	240-252 Broad Street	7	3	1.5	Yes
	Total Units	42			

The site was designed for market rate condominium ownership and not as public housing rental units. The development consists of (5) row type buildings. The three-bedroom, one and a half bathroom configuration design is consistent with all but two units (i.e., building 4 has two units that are two-bedrooms). The units are spacious (i.e., 1,500 sq. ft. living space excluding basements) have ample storage and individual basements. A site plan is included as Attachment 1, and floor plans are included as Supporting Documentation.

Each apartment shares a demising wall. The general construction is wood frame with masonry veneer. The foundation walls are concrete block. The roof construction is comprised of prefabricated roof trusses, plywood sheathing building paper and asphalt shingles. Wall construction is comprised of 2 x 6 wood framing, plywood sheathing and several different finish materials such as 4" veneer brick, sprayed cement plaster finish, stucco stone face finish. Floor framing consists of prefabricated web joists, plywood sheathing and either carpeting or vinyl flooring.

The units are individual gas fired hot air furnaces with individual hot water heaters. Town homes are individually metered for all utilities. The units are not centrally air-conditioned but can be converted.

The interior finishes are painted gypsum wallboard for walls and ceilings. Some units have wood paneling located around existing fireplaces and along the chimney. (Note not all units have fireplaces). The floor finishes consists of wall to wall carpeting, vinyl sheet flooring and 2" x 2" ceramic tile flooring which occurs at the bathroom location only. Kitchen cabinetry is raised panel wood. Trimming around windows, interior doors and floor base are wood.

Each unit has a private deck and green space. Townhouses do not have garages, but they do have individual parking pads in rear with gated access to rear yards Other site and unit amenities and features include:

- Large spacious rooms particularly, living, dining and kitchen areas
- Front and rear entrances
- Private rear yards and elevated wood decks
- Individually enclosed storage sheds located in rear yards for residents on Governeur Street.
- Operable fireplaces with decorative wood paneling and mantelpieces in many units
- Sliding glass doors that allow ample light into kitchens and access to elevated wood decks
- Mirrored glass sliding closet doors
- Full basements with washers and dryer hookups (unfinished though easily adapted to living space)
- Wood vanities and Hollywood bulb lighting in bathrooms
- Wall to wall carpeting
- Wood balustrade handrails
- Wood paneled interior doors
- Brass plated porch lights
- Gas Stoves

2.0 Repair or Rehabilitation

The NHA has prepared a modernization plan for the site that will address current structural and code violations The repair and rehabilitation plan is finalized and all work is to be completed in by the end of summer 2002 The work is extensive. It includes repairs to remedy deficient design and construction, work to increase long-term affordability and amenities to improve the quality and marketability of the units.

The physical condition of the property transferred will meet the more stringent criteria of local code or HQS standards for housing quality. The units were built in 1993/4 and meet the lead based paint standards in accordance with subpart C of 24 CFR 35 Accommodation for accessibility features for disabled will be made, as appropriate, in accordance with 24 CFR parts 8 and 9.

Modernization is to be completed in five phases (i e., sequentially, building by building). The estimated budget for repair and rehabilitation is estimated at approximately $83,000 per unit or $3,469,000 Repair and Rehabilitation will be funded through the NHA's Capital Grant Program Attachment 2 presents a unit-by-unit Repair and Modernization Schedule.

The following list is a summary description of the major work planned for the site:

- Remove and replace existing concrete sidewalks as required because they are settling, cracking, and dipping with the potential for tripping hazards to easily occur.

- Existing windows are to be removed and replaced to remedy poor window quality and sealant deterioration.

- Asphalt roofing shingles are to be replaced throughout including the shed roofs located in the rear of each unit.

- Roof flashing, including boots at vent stacks are to be replaced along with damaged roof trusses.

- Existing perforated vinyl soffits are to be removed and replaced.

- Exterior finishes (i e., brick veneer, sprayed cement plaster and a stone stucco) are experiencing various degrees of deterioration and failure. The brick veneer showing severe signs of cracks and failure due to expansion and settlement is to be replaced with new masonry veneer to match existing. Other remedies include shoring, replacement of steel angles, through-wall flashing and masonry; sealing all open cracks resulting from expansion with an elastomeric sealant; and cutout and re-point all loose and deteriorated mortar joints. The cement plaster that is sprayed directly onto the sheathing at the building facade is showing signs of discoloration, cracking. The cement plaster finish is to be replaced.

- Perimeter walls with cement plaster showing cracking due to settlement are to be repaired

- Front porches are to be completely rehabilitated and flashing at the interface between the stoop landing and the door threshold is to be replaced.

- The extensive porch work that needs replacing will trigger the agency into replacing most of the handrails

- Entry and screen doors along with their wood framing where necessary are to be removed and replaced. The existing decorative door surrounds are to be painted.

- Interior floors are experiencing deflection and in some units. Strengthen deteriorated floor structure where necessary, shore floor structures where required and apply new sheathing and underlamment

- All decking are to be sealed with a semi-transparent deck stain.

- Gas fired furnaces are to be replaced and all ductwork, flues and grilles will be cleaned.

  - Wood stairs and handrails leading to the basements are to be replaced where necessary

  - Kitchen countertops and backsplashes are to be replaced

The described sale and occupancy standards will be met as a condition to property conveyance Under no circumstances will the homebuyer be required to accept a home that does not meet the above-described standards prior to title transfer.

3.0 Purchaser Eligibility and Selection

All candidates interested in homeownership are required to complete a homeownership application. Each complete application will be dated as received by the Authority. The order of application receipt notwithstanding, the eligibility and preference factors defined herein will determine selection order.

Complete applications are to be screened for eligibility Candidates must meet the following eligibility criteria:

- Qualify as a family assisted by a public housing agency, a low-income family; or an entity formed to facilitate a sale by purchasing units for resale to low-income families. In the case of the latter, the purchasing entity must resell all units to low-income families within five years from the date of acquisition of the unit(s)

- The owner must occupy the unit as its principal residence.

- The owner's family must qualify as a low-income or an assisted family at the time of purchase in the case of a contract to purchase existing housing, at the time the agreement is signed in the case of a lease to purchase for housing to be constructed, and at the time the contract is signed in the case of housing to be constructed.

- Have evidence of regular income or, in the case of a lease to purchase conveyance, be enrolled in a job-training program

- Family members cannot have been convicted of drug related or violent criminal activity during the previous three years.

- Capable of assuming the financial obligations of homeownership, under minimum income standard for homeownership, taking into consideration the unavailability of public housing operating subsidies and modernization funds after homeownership conveyance. The applicable must meet the following threshold:

    - Applicant's payments for principal, interest, insurance, real estate taxes, utilities and maintenance cannot exceed 40% of adjusted income as defined in accordance with Paragraph (5) of section 3(b) of the 1937 Housing Act plus any subsidy that will be available for such payments; or, if the homeownership unit is so designated, the applicant agrees to participate in a Lease to Purchase Program and meet the affordability criteria within a 3-5 year timeframe.

- Able to pay amounts required for closing such as a down payment and title transfer, mortgage fees, etc. that are chargeable to the purchaser. At a minimum the family must contribute an amount equal to 1% of purchase price towards the required 2 5% down payment from resources of the family other than grants, gifts, contributions, and similar amounts

Note : Candidates who fail financial lease compliance screening will be notified in writing and given a reasonable period of time to remedy the deficiency Extensions to the agreed upon remedy period will not be offered.

- Public housing families must be in compliance with the public housing lease obligations for a period of not less than 1 year prior to contract to purchase or lease purchase conveyance unless a lesser period of time has elapsed since the beginning of public/assisted housing participation Lease compliance includes payment of rent and other charges, reporting all income that is pertinent to determination of rental charges, and meeting HQS/housekeeping responsibilities

Applicants who meet the eligibility criteria are to be selected in the following order of preference:

- For occupied public housing units that become designated for homeownership, the resident(s) occupying that unit, if any, regardless of direct transfer from the NHA or from an organization serving as a conduit for sales. The residents right of first refusal is guaranteed under Section 32 of the 1937 Housing Act as implemented through 24 CFR 906.

- For vacant units that become designated for homeownership:

  - First preference is given to eligible public housing program participants who have completed a self-sufficiency program or who meet minimum income requirements for homeownership, and have been subject to temporary relocation.

  - Second preference is given to eligible public housing program participants who have completed a self-sufficiency program or who meet minimum income requirements for homeownership

  - Third preference is given to NHA Section 8 program participants who have completed an FSS program or who meet minimum income requirements for homeownership.

  - Fourth preference is given to eligible persons on the public housing program waiting list who meet homeownership eligibility and affordability criteria

- Fifth preference will be given to Section 8 program participants who are successfully completing a FSS program.

No other preferences are available for the homeownership program. Eligible homeownership candidates (i.e., low income families) will be ranked in order of application completion within each preference category.

4.0 Appraised Fair Market Value and Marketability

The sales price of units will be based on their appraised fair market value after proposed repair and renovation is completed. The fair market value of individual homes prior to sale will be established individually by an independent appraisal. For or homeownership planning purposes, we have establish an average fair market value of the forty, 3-bedroom units after renovation and extrapolated the cost of the two, 2-bedroom units based on the square footage differential.

The average fair market value of the Mt. Pleasant units is based on the City of Newark housing market as a whole. The appraised market value is based on studies conducted in 1998 by the planning and development firm of S. Huffman Associates, and in 1999 by the independent appraisal firm of Baris and Zimmer Appraisals, L.L.C. It is important to note that the fair market values presented are used for the purposes of establishing a sales price (i.e., market value) for the asset to be sold and not to determine the purchase price of any particular unit sold by NHA. The primary reason for the market value determination exercise is for purposes of HUD evaluation, establish the purchase price discounts and to determine the range of financing assistance required for affordability.

According to the 1999 study prepared by Baris & Zimmer the median housing value in Newark was approximately $70,000 Sales prices for condominiums sold in Newark between 6/1/96 and 5/30/98 were approximately $80,000 In 1993, the NHA purchased all 42 units for $3,359,000 or $80,000 per unit.

Comparable property to Mt. Pleasant is phase 1 and 2 of the Society Hill Townhouses (i.e., 164 and 314 units, respectively) These town homes were completed about the same time as Mt. Pleasant and sold at between $93,000 and $116,000 in 1988 for phase 1 homes, and between $110,000 and $130,000 in the early 1990s for the phase 2 homes.

The Society Hill homes are three bedroom units and are between 1,100 and 1,650 square feet of living space per unit as compared to 1,500 square feet of living space for Mt. Pleasant Homes. Unlike Mt. Pleasant, the Society Hill homes are air-conditioned, have electronic security systems and many have garages However, the Society Hill Homes have no basements or rear patios. According to S. Hoffman's study completed in May of 1999, local realtors feel that current resale prices are still in the $110,000-$130,000 price range (i.e., little to no appreciation)

Other smaller townhouse developments of similar configuration (i.e., three-bedroom, one and a half bath, 1,100 to1,500 square feet of living space, off-street parking and patios) are valued at

between $100,000 and $110,000 in the Central Ward. However, some such townhouses are selling at as low as low as $72,000 as a result of UHORP (i.e., state funded subsidy to the developer for qualified low income families). An example of a subsidized townhouse development is the St. James Square Townhouses. The 1,200 square foot townhouses have three-bedroom, one and a half bathrooms and garages. The appraised market value of the townhouses is about $123,000. However, a new townhouse can be purchased for as low as $55,000, if a four-person family earns less than $33,650 per year (i.e., eligible to receive grants from the City and State equal to $68,000 per unit). The purchase price for the same unit goes up to $67,000, if the same sized family earns between $33,651 and $47,800. Families of four earning over $47,800 are not eligible for subsidy.

Based on the housing market described above, we believe that comprehensively renovated Mt. Pleasant units (i.e., $83,000 of improvements) are likely to be valued at $120,000. However, do to market conditions and the supply of subsidized dwellings the marketed value is likely to be in the vicinity of between $90,000 and $100,000. We will use $90,000 for determining the appraised market value for establishing the sales price of the units. However, because the units must be sold to qualifying low-income families, purchases prices are likely to be in the $50,000 to $65,000 range.

The marketability of these units to the families targeted by NHA for homeownership is a key consideration in the feasibility of the Mt. Pleasant Homeownership initiative. Marketability considers both the interest and the income levels of the families that are currently residing in the Mt. Pleasant units and the broader population of the low income family market. It also considers the value of the units based on competitive pricing practices.

We will begin the marketability analysis of the Mt. Pleasant homes by examining the interest and existing capacity of current residents to afford ownership of the units they occupy. Remember, 41 of the 42 townhouses are occupied. Therefore, first right of refusal will be offered for all but one townhouse.

Based on the homeownership survey completed in March 2000, average site income is approximately $27,500. Thirty-one of the families are working. Thirty-two of the families (78%) earn in excess of $15,000 per year. Twenty-six families earn over $20,000 per year (63%). Only three families earn less than $10,000 per year. Twenty-seven occupant families are interested and are income qualified to purchase. Seven families are interested and may qualify under a lease to purchase conveyance. Seven income-qualified families are not interested in purchasing or are undecided. One unit is vacant and will be filled with an income qualified and interested family.

Based on the above date that is supported by signed data sheets, we can expect between 5 and 7 families will may not purchase their units. There are literally hundreds of interested, income qualified homeownership applicants awaiting an opportunity to purchase a unit at Mt. Pleasant Estates if one should become available.

Should the unit not be available for sale because the existing occupant does not voluntarily relocate, the Authority will either designate one of the 5 buildings as public housing rental units or convert the site to project based section 8 and convey the property to the condominium association. Should the section 8 conveyance take place, resale restrictions will be put in place to ensure the long-term protection of non-purchasing families and guard against windfall profits

5.0 Affordability and Financing

Industry practice usually determines maximum homeownership initial affordability standard as 40% of a family's annual adjusted income. For instance, a family that earns $25,000 per year cannot afford a home that is priced above $62,500 (i.e., $25,000 / $62,000 = 40%). This is a maximum affordability benchmark. Other factors must be considered before final affordability can be determined such as mortgage burden, taxes and utilities. Nonetheless, the average initial affordability level of the families currently living at Mt. Pleasant is approximately $69,000 (i.e., $27,574 average income / 40% maximum affordability standard = $68,935).

To ensure affordability for low-income families our model will consider the full cost of homeownership for affordability determination. The model is described in the following paragraphs.

Based on the market study data, the Mt. Pleasant Estate townhouse have a market value of $90,000 and the NHA will offer eligible low-income families up to a 40% purchase price discount. Thus, the average purchase price of a home will be $54,000. The maximum 40% homebuyer discount offered will be reduced by an amount necessary to ensure that the buyers monthly homeowner cost (i.e., principal, interest, taxes, insurance and utilities) is equal to or greater than 25% of family's adjusted gross income as calculated in accordance with 24 CFR Part 5.

We believe the "good cause" that justifies the deep 40% purchase price discount is the existing subsidized homeownerhip market that exists in Newark. Furthermore, requiring that all participants pay at least 25% of adjusted gross income ensures the equitability of the program. Finally, the silent second amortization ensures against windfall profits.

In addition to a purchase price deduction, the Authority expects to negotiate eligible below market rate, fixed mortgage financing equal to two or three points below current rates (i.e., local lending institutions offer 7% fixed rates, that include mortgage insurance, to qualified low income families). Homebuyers will be required to make a 2.5% down payment upon closing. The effect of the purchase discount and financing package is to reduce the homeowner principal and interest payment on a home with a market value of $90,000 from $660 per month to $334 per month.

In addition to the above-described affordability benefits, financing will be arranged to roll the closing costs into the mortgage, and title, inspection and appraisal fees will be paid by the NHA. Other financing benefits the NHA will consider to ensure the long-term workability of the

homeownership initiative is to establish a non-routine maintenance and emergency loan fund available to homeowners who experience unexpected major system failures or temporary economic emergencies The loan program will pay to remedy the system failure or emergency at a 4% interest rate (i.e., cover program administrative cost) provided the homeowner maintains current with the agreed upon repayment schedule.

On a $54,000 purchase price, we estimate the closing costs to be about $3,000 and the NHA closing fees paid to be $1,000. The home purchase price for mortgage determination is $55,650 (i.e., $54,000 + $3,000 closing - $1,350 down payment). Based on the above-described discounted purchase price, 2.5% down payment, mortgage financing rate deductions, and reimbursed/rolled-in closing cost payments, the estimated average monthly homeownership costs are $ 822 as identified below

Principal and Interest @ 7% for 30 years	$ 370
Property Taxes @ $14.66/$1,000 with 2.456 multiplier	162
Home Insurance	35
Utilities	180
Ordinary Maintenance	50
Non routine set aside	25
Total	$ 822

Based on 40% maximum payment affordability standard (i.e , including homeonwership costs), homebuyers would have to earn $24,660 per year to afford a home. This is an affordable price for 23 families currently living in Mt. Pleasant Estates.

To ensure the availability of homeownership for otherwise qualified homebuyers and to maintain an adequate demand, the NHA will also offer a Lease to Purchase homeownership financing. Under this ownership model the homebuyer candidate would enter a FSS program designed to prepare the candidate and find suitable employment that will result in homeownership affordability. Once enrolled in the FSS program the candidate would be eligible to execute a Lease to Purchase contract with the Authority At the time of contract execution the candidate could move into the homeownership unit and be given a period of between 3-5 years to qualify for homeownership.

The lease to purchase program makes homeownership affordable at a much lower income level because it trades off the homebuyer's care and maintenance of their leased home for sweat equity and replacement reserve credit. Under this option the homebuyer is required to maintain the property as their home (i.e., the Authority does not service the home other than for semi-annual HQS and housekeeping inspection). In exchange, each month the homebuyer's lease to purchase account is credited with the homebuyer lease payment (30% AGI less the Section 8 standard utility allowance made by homebuyer), and the Authority contributes to the monthly non-routine

maintenance. For a person whose earnings over the five-year lease period averages $14,000 per year, the annual
lease to purchase credit is $2,040. Over a period of five years at 5% interest the lease to purchase credit for down payment grows to $11,300. The monthly cost of ownership is as follows:

Principal and Interest ($55,650 - $11,300) @ 7% for 30 years	$ 295
Property Taxes @ $14.66/$1,000 with 2.456 multiplier	162
Insurance	35
Utilities	180
Ordinary Maintenance	50
Non routine set aside	25
Total	$ 747

Based on the 40% maximum payment affordability standard the annual income requirement to afford the home is $22,410 at the time of title transfer. That is to say a family whose average annual earnings of $14,000 during the lease period must earn $22,410 income to complete the lease transfer contract. Thirty-four families (79%) that are current residents of Mt. Pleasant could afford to purchase their homes under one of the two financing packages that we recommend.

6.0 Protections and Restrictions

The primary affordability component is the estimated 40% purchase price discount that each family is eligible to receive. Under the NHA homeownership plan, the purchase price discount will be converted to a 10-year, non-interest bearing silent second mortgage upon transfer of title. The silent second mortgage will be forgiven in equal increments over the 6-10 year term. If the unit is sold during the first five years for other than hardship reasons the NHA will receive payment in full of the silent second mortgage and 50% of net sales proceeds. After the first five years the NHA will be eligible to receive the unamortized portion of the silent second mortgage (i.e., 20% per year reduction) and share equally in the net sales proceeds with the owner up to the full amount of the purchase price discount. After ten years all sales proceeds will accrue to the owner.

The primary purpose of the silent second mortgage is to protect against windfall profits and to ensure the following homeownership covenants:

- Home must be the homeowner's principal place of residence.
- If the home is sold for hardship in the first 5 years, the owner will only be entitled to receive down payment, principal payments, documented capital improvements paid for by the owner, and the interest accumulated on the down payment and principal payments at the consumer price index rate.
- Home cannot be sold for other than residential purpose during the ten years subsequent to the date of the first title transfer at the site.

Affordability and minimum income levels of homebuyers presented in this section are used for the purpose of demonstrating the workability of the proposed homeownership model. The affordability and minimum income levels are reasonable estimates based on current cost and income data, as well as other assumptions. Such assumption includes, but are not limited to, cost associated with utilities, maintenance, average purchase price, etc.

7.0 Future Consultation with Residents

The NHA has and continues its consultation with residents and resident leadership regarding the planning for and implementation of the homeownership program. The NHA feels that the success of the homeownership program is intrinsically linked to resident awareness and dialogue.

The most valuable input from residents in structuring a successful homeownership program is regarding the design and features of the homes. The Resident Council will be involved in the renovation process. The homes at Mt. Pleasant were designed for homeownership and are appropriate for sale. Residents will be involved in decisions regarding existing and planned homes that are being considered for future homeownership sale. A working committee will be formed to ensure the homes offered meet the needs of the homebuyer candidates.

8.0 Counseling

One-on-one homeownership counseling and group training are essential elements to the success of this program. By and large the homeownership candidate pool is comprised of life long renters. They are unfamiliar with the home selection and purchase process, the risks and responsibilities of homeownership, the financing mechanisms, cost of homeownership, upkeep and preventative maintenance, etc. Counseling and training in all of these basic areas will be necessary. Separate homebuyer and homeowner counsel and training curriculums will be developed and delivered as part of the Homeownership Program. Applicant files will document the delivery and results of the counseling and training on an individual basis.

Awareness of and enrollment in the NHA's FSS program will be a critical component of the counseling program. However, enrollment and completing the FSS program will be conducted outside the homeownership program. Linkages will be forged between the Homeownership and FSS service providers to ensure continuity and progress feedback.

9.0 Home Sales

The sale of homeownership units will be conducted through the Authority or its designee. Home sales will only be executed to residents that have completed homeownership training and have demonstrated homeowner capability.

10.0 Protection of Non-purchasing Families

No current resident will be involuntarily displaced from the unit it lawfully occupies for the purposes of providing homeownership opportunity. For public housing participants that do not exercise their right of first refusal to purchase a homeownership unit the NHA will offer the resident a relocation package comprised of the following components.

- Provide for the payment of the actual and reasonable relocation expenses of the resident to be displaced.
- Ensure that the displaced resident is offered comparable housing.
- Provide necessary counseling for the displaced resident.
- Not transfer the unit until the resident is relocated.
- Provide incentive package to encourage renter relocation to improve the marketability of the initiative.

To meet the test of "comparable" housing, the unit offered must meet housing quality standards; be located in an area that is generally not less desirable than the location of the displaced resident's housing; and determine that the rent paid by the resident is equivalent to the rental rate paid by the resident for the unit vacated. The housing offered can be tenant- or project-based, or public housing. However, in the case of tenant based assistance the offer of comparable housing is fulfilled only upon the relocation of a resident into such housing.

Residents who lawfully occupy a homeownership unit under a Lease to Purchase contract may be relocated from a homeownership unit upon termination due to Lease to Purchase contract violation

11.0 Sales Proceeds

Sales proceeds are funds generated as a result of payments made by purchaser for credit to the purchase price (e.g., earnest money, down payment, payments out of the proceeds of mortgage loans, and principal and interest payments under purchase money mortgages), along with any amount payable upon resale.

Our estimates indicate that we will be able to sell all 42 units within 24 months of the program approval. The sales will generate approximately $2,300,000. As we expect to fund most of the cost of establishing the homeownership program from the Capital Fund, our priority for the use of sales proceeds will be as follows.

- For purposes of ensuring the success of the NHA's Homeownership Program and to protect the interests of the homeowners. Proceeds uses include costs to establish the plan; cost associated with planning, training, and technical assistance to potential purchasers; costs to administer the program; and costs associated with non-routine maintenance/emergency loan reserve, closing, etc.
- The construction or acquisition dwellings for sale to low-income families.
- Other such public housing purposes that are approved by HUD

12.0 Disposition Application and Replacement Housing

Homeownership transfer of public housing is exempt from disposition rules. One-for-one replacement has been repealed. However, the Authority will respond to replacement housing vouchers NOFAs should they be issued by HUD.

13.0 Administration

The envisioned administrative responsibilities under a homeownership program include the following task

- Homeownership candidate outreach and structuring.
- Maintaining an applicant waiting list.
- Establishing and maintaining individual applicant files.
- Screening and selecting applicants.
- Affordability analysis and financing program identification.
- FSS program enrollment.
- Candidate counseling and scheduling homebuyer training.
- Maintaining homeownership housing stock status log.
- Showing home to perspective homebuyers.
- Arranging financing packages with banks.
- Assisting homebuyers with financing.
- Executing silent second promissory notes.
- Executing lease to purchase agreements
- Inspecting lease to purchase homes
- Maintaining lease to purchase credits and reserve deposits.
- Scheduling inspections and remedying deficiencies.
- Resolving homeowner complaints and other problems.
- Maintaining homeowner equity calculations.
- Preparing annual equity reports to homeowners
- Calculating and obtaining resale proceeds.
- Managing the maintenance/emergency reserve loan fund.
- Accounting and recordkeeping of sales proceeds.

There are additional activities that are required to administer the NHA's Homeownership Program. However, the above list does demonstrate our understanding of the level of effort required to administer such a program and the resources that will be required for its administration. We will require technical assistance to establish the procedures and standardize the operation of the program. Cost estimates for such activities in the Section 15.

Initially the NHA will use it staff in collaboration with a consultant to establish the program. We will also explore the advantages and disadvantages of establishing an affiliated Community Housing Development Organization (CHDO) to operate the homeownership program on an on-going basis. The advantages to this structure include the removal of the stigma of "public housing" homeownership and a CHDO's ability to access CDBG/HOME funds to subsidize its operating costs, and to further its homeownership capacity and jurisdiction.

14.0 Records, Accounts and Reports

The Authority is responsible for and will comply with the following records maintenance and financial accountability requirements of the Homeownership Program.

- Maintain records on the racial and ethnic characteristics of the purchasers.

- Submit to HUD on an annual basis a Sales Report, in a format suitable to HUD, of individual homes until program completion.

- Include in regular independent audits a review of the receipt, retention, and expenditure of all sales proceeds.

15.0 Homeownership Program Budget

Description	Amount (Rounded to 000)
Homeownership Plan Preparation and Approval	$ 50,000
Program Development Technical Assistance	40,000
General Administrative and Legal Expenses (e.g., condominium association development)	200,000
Homebuyer Screening and Selection	10,000
Existing Home Appraisal and Inspection (42 units @ $300/unit)	13,000
Unit Rehabilitation (exclusive of committed Comp Grant Funding)	557,000
Modernization Contingency @ 6% of estimated cost	208,000
Pre-Sale Home Inspection	20,000
Homebuyer Counseling and Training	42,000
Title Search and Legal Costs	42,000
Housekeeping and Maintenance Training	10,000
Annual Lease to Purchase Home Inspection	25,000
Non-routine Maintenance and Emergency Loan Fund (42 existing @ $2,500)	105,000
Total Cost	$ 1,322,000
Total Per Unit Cost	$ 31,000
Per Unit Sales Price	$ 54,000
Homeownership Proceeds Per Unit	$ 36,000
Total Homeownership Proceeds	$ 946,000

Note Property rehabilitation costs in the amount of $2,912,880 has been excluded from the homeownership budget as it is paid from Comp Grant Funds. The remaining funding in the amount of $556,600 is committed from the public housing operating fund (i.e., resident services account) The operating fund will be reimbursed upon receipt of sales proceeds.

16.0 Timetable

The events presented below represent homeownership program milestones and are not intended to be inclusive of all the tasks that are required to design and implement a homeownership program. A detailed plan will be prepared upon HUD's authorization to proceed. The milestone events prior to March 2000 included a Market Assessment, Unit Price Estimate, Homebuyer Interest Survey, Resident Input and Homeownership Committee Coordination.

All tasks that are identified prior to submission of the Homeownership Application have been completed. We expect the first units to be available for homeownership title transfer in March 2001. Nine families will have titles transferred beginning in July 2001. Title transfer to traditional homebuyers will be completed within a two-year timeframe. Lease to Purchase homebuyers will all be placed in homes within a two-year period with title transfer completed within the subsequent four years

Table of Milestone Event

03/00 Review of Homeownership Plan Discussion Draft by the NHA Homeownership Committee
08/00 Submit Homeownership Plan for Resident Review and Comment
08/00 Submit Homeownership Plan for Board of Commissioners Review and Comment
08/00 Submit Homeownership Plan to local HUD Field Office for preliminary comment
09/00 Obtain required documents and certification for 24 CFR 906 Application Submission
09/00 Prepare final 24 CFR 906 Application for HUD Approval
10/00 Obtain HUD approval of 24 CFR 906 Plan
10/00 Hire Homeownership Counselor
10/00 Assemble and screen current resident applicants
10/00 Rank eligible applicants on Homeownership Waiting List
11/00 Establish procedures to administer the Homeownership Program
11/00 Finalize housing needs (permanent and temporary relocation) of eligible applicants
11/00 Begin phase 1 of rehabilitation
11/00 Begin homebuyer applicant counseling and training
11/00 Align homeownership candidates with scheduled home availability
12/00 Begin homeowner training
12/00 Prepare financing package for homeowner candidates
03/01 Complete phase 1 of Homeownership units
03/01 Begin to place homeowners in homes
03/01 Prepare financing package for homeowner candidates
03/01 Begin phase 2 of rehabilitation
07/01 Complete phase 2 of Homeownership units
07/01 Place homeowners in acquisition units
07/01 Prepare financing package for homeowner candidates
07/01 Begin phase 3 of rehabilitation

11/01 Complete phase 3 of Homeownership units
11/01 Place homeowners in units
11/01 Prepare financing package for homeowner candidates
11/01 Begin phase 4 of rehabilitation
02/02 Complete phase 4 of Homeownership units
02/02 Place homeowners in units
02/02 Begin phase 5 of rehabilitation
06/02 Complete phase 5 of rehabilitation
06/02 Place homeowners in units
06/02 Operate ongoing Homeownership Program

Attachment 3
Homeownership Affordability and Interest
Data Table

Account Number	Adjusted Income	Family Size	Unit Size	Income Eligible		Home Ownership Interest	Relocate
				Sec.32	5(h)		
002-2510-0001	22,624	3	3	Yes	Yes	Yes	N/A
002-2510-0002	18,691	3	3	Yes	Yes	Undecided	
002-2510-0003	21,932	3	3	Yes	Yes	No	No
002-2510-0004	51,000	2	3	No	Yes	Yes	N/A
002-2510-0005	68,672	2	3	No	Yes	Yes	N/A
002-2510-0006	34,432	4	3	Yes	Yes	Yes	N/A
002-2510-0007	15,159	2	3	Yes	Yes	Yes	N/A
002-2510-0008	18,060	4	3	Yes	Yes	No	No
002-2510-0009	24,648	3	3	Yes	Yes	Yes	N/A
002-2510-0010	67,572	3	3	No	Yes	Yes	N/A
002-2510-0011	33,244	3	3	Yes	Yes	Yes	N/A
002-2510-0012	19,574	5	3	Yes	Yes	Yes	N/A
002-2510-0013	21,702	2	3	Yes	Yes	Yes	N/A
002-2510-0014	12,204	3	3	No	No	Yes	N/A
002-2510-0015	33,974	4	3	Yes	Yes	Yes	N/A
002-2510-0016	20,665	2	3	Yes	Yes	No	No
002-2510-0017	43,457	3	3	No	Yes	Yes	N/A
002-2510-0018	25,690	4	3	Yes	Yes	Yes	N/A
002-2510-0019	29,615	5	3	Yes	Yes	Yes	N/A
002-2510-0020	24,719	5	3	Yes	Yes	Yes	N/A
002-2510-0021	42,644	3	3	Yes	Yes	Yes	N/A
002-2510-0022	10,220	3	3	No	No	Yes	N/A
002-2510-0023	33,260	5	3	Yes	Yes	Yes	N/A
002-2510-0024	24,430	4	3	Yes	Yes	Yes	N/A
002 2510-0025	20,140	4	3	Yes	Yes	Yes	N/A
002-2510-0026	6,660	4	3	No	No	Yes	N/A
002-2510-0027	14,965	3	2	Yes	Yes	Yes	N/A
002-2510-0028	29,699	4	3	Yes	Yes	Yes	N/A
002-2510-0029	25,960	5	3	Yes	Yes	Yes	N/A
002-2510-0030	51,725	6	3	Yes	Yes	Yes	N/A
002 2510-0031	36,082	2	2	Yes	Yes	No	Yes
002-2510-0032	3,900	6	3	No	No	Undecided	N/A
002-2510-0033	18,891	5	3	Yes	Yes	Undecided	N/A

Account Number	Adjusted Income	Family Size	Unit Size	Income Eligible		Home Ownership Interest	Relocate
				Sec.32	5(h)		
002-2510-0034	15,461	3	3	Yes	Yes	Yes	N/A
002-2510-0035	10,400	1	3	No	No	Yes	N/A
002-2510-0036	Vacant		3			Vacant	N/A
002-2510-0037	29,213	4	3	Yes	Yes	Yes	N/A
002-2510-0038	38,936	4	3	Yes	Yes	Yes	N/A
002-2510-0039	54,550	3	3	No	Yes	No	No
002-2510-0040	13,832	3	3	No	No	Yes	N/A
002-2510-0041	10,548	3	3	No	No	Yes	N/A
002-2510-0042	5,815	3	3	No	No	Yes	N/A

SUPPORTING DOCUMENTATION

PROPERTY VALUE ESTIMATE

As provided in section 5 of the homeownership plan the fair market value of the property is $90,000 for the two, 2-bedroom units and $80,000 for the forty, 3-bedroom units. The appraisal represents the value of the units after the proposed renovation work is complete. The Authority intends to sell the units to eligible public housing residents at a deep discount from the appraised value.

The Authority has addressed the risk of fraud and abuse pursuant to 906.13 by:

- Selling the units directly to residents rendering moot the collusive purchase of units for the benefit of nonresidents.
- Requiring that the purchase of the property be the primary dwelling unit of the owner and prohibiting the rental of units in the condominium covenants and restrictions.
- Requiring that the discounted purchase of dwelling units include a promissory note, secured by a silent secondary mortgage prohibiting a collusive sale to circumvent the resale profit limitation.

The Authority has taken into consideration the potential for windfall profits upon resale, pursuant to 906.14 by requiring the execution of a promissory note to recover profits attributed to the discounted purchase price. Specific details of the promissory note secured by a silent second mortgage are provided in Section 6.0

PHYSICAL ASSESSMENT

According to professional assessment the Mt. Pleasant Estates are in disrepair. The Mt. Pleasant Estates will undergo extensive modernization as described in this plan prior to and as a condition for conveyance of the dwelling units.

The modernization requirements were determined as a result of physical assessments taken by the HACBM Architects, Engineers, Planners, Inc. in 10/1997 and updated in 12/99 in view of the homeownership initiative. The professional assessment was comprehensive and inclusive of inspection of the interior and exterior of each unit, major systems components and common areas.

All components of the prescribed modernization are necessary to correct deficiencies or ensure the marketability of the property as homeownership dwelling units. Upon completion of the prescribed work, the property will be in good repair, with major components having a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will remain affordable to purchasers.

As a result of completing the modernization work specified by HACBM each dwelling unit will meet local code requirements of the City of Newark and HQS standards established by HUD. The property was built in 1993 and does not contain a lead based paint hazard.

The property does not contain features needed for the disabled. No family currently living at the site special accommodation for the disabled. If a prospective purchaser with disabilities requests accessible features, the features will be added in accordance with 24 CFR parts 8 and 9

Director of Modernization Housing Authority of Newark	Principal HACBM Architects, Engineers, Planners, Inc.

WORKABILITY

The workability of the Newark Housing Authority's plan to convey the dwelling units of the Mt. Pleasant Estates under Section 32 of the Housing Act of 1937 as implemented through 24 CFR 906 is based on the practicality of the various key components of the plan as follows.

- A thorough analysis of the housing market has been conducted to establish the reasonable value and affordable purchase price for the dwelling units to be conveyed.
- All costs for repair and rehabilitation are funded and to be born by the Newark Housing Authority and completed before conveyance of the property to the purchaser.
- Homeownership costs (i e , principal, interest, taxes, insurance, utilities, routine and non-routine maintenance have been calculated and refined during the homeownership feasibility determination process
- A non-routine maintenance/emergency revolving loan fund of $100,000 has been established to ensure continued affordability.
- Eligible homebuyers will be comprised of working families with incomes sufficient to afford the cost of homeownership by paying less than 40% of their incomes to cover all homeownership costs.
- Families unable to initially purchase a unit will be able to enter into a self-sufficiency program and lease purchase contract to maintain occupancy of the unit as they obtain the financial position to purchase a dwelling unit.
- Local financial institutions provide homeownership financing counseling and training, and to provide below market rate loans to eligible purchasers.
- Twenty-seven of the 41 families are willing to purchase their dwelling unit and are able to afford the purchase of their unit. Two eligible families are undecided and one family will relocate. Seven families can qualify under the lease to purchase program. Four families may stay at the Mt. Pleasant site as renters if they do not choose a newly built public housing townhouse. The remaining unoccupied will be sold to an eligible homeowner. Renting families that subsequently elect to leave will be replaced by qualified homebuyers. Qualified homebuyers will be selected from a homeownership waiting list. The homeownership waiting list currently has over 100 eligible families awaiting a homeownership opportunity.

COMMITMENT AND CAPABILITY

The Newark Housing Authority submits this Homeownership Plan describing the sale of the Mt. Pleasant Estate dwelling units as its first sales in a continuing program of homeownership opportunity for qualified public housing families. Its commitment to the homeownership program is underscored by the need within the jurisdiction that it serves for affordable homeownership units, and as the premier provider of low income housing in the community. The Authority's homeownership program is consistent with the City's Consolidated Plan and with the goals and objectives submitted in the Newark Housing Authority's Agency Plan. Finally, the Authority's commitment to its homeownership program is strengthened through Board Resolution.

The Newark Housing Authority has retained professional homeownership program consulting services to structure and submit its initial homeownership plan. The homeownership plan describes the administrative tasks and activities that must be conducted to complete the sale of the specified units and carry out the on-going administration of the program. Subsequent to the submission of the homeownership plan the Authority has provided for expert technical assistance for future program development, home appraisals, rehabilitation, pre-sale inspection, homebuyer counseling and training, etc. The plan also provides for a third party reality firm to handle the sale and settlement of property and a financial institution(s) to provide for the financing.

The Authority will work hand in hand with these firms through each process. In some cases the Authority will perform the homeownership tasks for future plan submissions and conversions. In other cases (e.g., for financing, sales and settlements) it is likely that continued specialized services will be procured.

RESIDENT PLANNING INPUT

The Mt. Pleasant Estate has been continuously represented by a Resident Council. The Resident Council has been persistent ensuring that a homeownership opportunity for the Mt. Pleasant residents has stayed a viable reality.

The Resident Council has convened five meeting with the residents to understand and help structure the homeownership strategies. These meetings and the topics discussed are documented by minutes taken by the Council Secretary.

The Resident Council conducted a Confidential Homeownership Survey that provided the following input by resident:

- Interest in owning the unit lived in
- Protection against involuntary displacement
- Preference in relocation or staying
- Repairs needed in each unit
- Feedback on marketability and safety of site
- Credit status and concerns of residents

The Resident Council was instrumental in influencing the Authority to conduct a follow-up site assessment of the property to determine needed repairs and modernization, a lease purchase option to assist in homeownership affordability, and providing for a emergency loan fund to ensure long term homeownership affordability.

The Resident Council requested that the Authority purchase adjacent land and provide a community building as part of the conversion. The Authority felt that the project could not afford the community building considering the extensive modernization and site improvements that it was making to the site and the cost of ongoing maintenance of the community property. However, the Authority will allow the Condominium Association to use the excesses in the revolving loan fund to help finance the construction of such a building. The terms of use have yet to be established nor has the Association voted to allow the use of the reserve for such purposes.

The final request made by the Resident Council was for the Authority to finance the conveyance through a purchase money mortgage vehicle. The Authority feels that it is not structured at this time to administer such a program and it requires the full proceeds of the initial sale to reimburse the cost of the Mt. Pleasant homeownership initiative and to finance further conversions.

NONDESCRIMINATION CERTIFICATION

The Housing Authority of the City of Newark certifies that it will administer the homeownership program on a nondiscriminatory basis, in accordance with the Fair Housing Act, Title VI of the Civil rights Act of 1964, Executive Order 11063, and implementing regulations, and will assure compliance with those requirements by any other entity that may assume substantial responsibilities for implementing the plan.

____
Executive Director
Newark Housing Authority

____
Date

LEGAL OPINION

Frank Armour, Counsel for the Newark Housing Authority has reviewed the Homeownership Plan for the conveyance of the Mt. Pleasant Estates (Project N.J.2-51) and finds it consistent with all applicable requirements of Federal, State and local law, including regulations as well as statutes, or as qualified herewith.

It is our opinion that the requirements that must be fulfilled in order to remove the qualifications identified can be met without special problems that may disrupt the timetable or other features contained in the homeownership.

General Counsel | Date

BOARD RESOLUTION